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3rd Quarter Interim Financial Report

Key figures

Figures stated in € million	9 months 2014 (IFRS)	9 months 2013 (IFRS)	3 rd quarter 2014 (IFRS)	3 rd quarter 2014 (IFRS)
Revenue	76.6	66.2	26.4	22.4
Business Solutions	31.3	31.4	10.3	10.5
Wholesale	33.2	24.3	11.9	8.1
New Business	12.1	10.5	4.2	3.8
Gross earnings	19.3	19.5	6.5	6.5
Business Solutions	14.9	15.4	5.0	5.1
Wholesale	0.4	0.4	0.1	0.1
New Business	4.0	3.7	1.4	1.3
EBITDA ¹	5.4	4.9	1.8	1.6
in % of revenue ²	7.0 %	7.4 %	6.8 %	7.1 %
Operating result (EBIT)	2.1	2.4	0.8	0.7
in % of revenue ²	2.8 %	3.6 %	3.0 %	3.1 %
Consolidated profit³	0.8	1.2	0.3	0.3
Earnings per share (EUR) ⁴	0.24	0.33	0.10	0.09
Balance sheet total	45.5	43.8	45.5	43.8
Equity capital	20.8	20.4	20.8	20.4
in % of the balance sheet total ²	45.6 %	46.6 %	45.6 %	46.6 %
Number of shares (average)	3,552,161	3,645,821	3,510,000	3,600,000
Net debt	1.7	2.8	1.7	2.8
Cash flow from ongoing business activities	3.6	4.6	2.2	0.9
Cash flow from investment activities	-2.3	-6.8	-1.0	-1.2
Cash flow from financing activities	-2.3	0.1	-0.8	-0.7
Financial resources as of 30/09	5.1	5.3	5.1	5.3
Free cash flow ⁵	1.3	-2.2	1.2	-0.3
Employees as of 30/09 ⁶	219	187	219	187

¹ Result before planned depreciations, impairments, financial result and taxes on income and earnings

² The figures were calculated based on non-rounded figures

³ Corresponds to the consolidated profit after deduction of minority interests

⁴ Both undiluted and diluted

⁵ Free cash flow = cash flow from current business activities + cash flow from investment activities

⁶ Without minority companies (mvneco GmbH, synergyPLUS GmbH)

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Letter to our shareholders

Dear Shareholders,

ecotel was able to continue the course of growth in the first nine months of the year 2014 and to increase consolidated turnover to € 76.6 million. Compared to the same period of the previous year (€ 66.2 million) this represents growth of 16 %, due essentially to turnover gains in “Wholesale Solutions” and “New Business”. Revenue in the Business Solutions segment of € 31.3 million remained at the level of the comparison period (previous year: € 31.4 million). In this respect it should be pointed out, however, that since mid-2014 ecotel has discontinued marketing of the company’s own mobile services. Compared to the first nine months of the year 2013, there was a decrease of € 0.5 million in sales revenue for this business segment. Without this effect, revenue in Business Solutions would have increased slightly by € 0.4 million.

EBITDA at ecotel increased in the first nine months of the year 2014 by 10 % to € 5.4 million (previous year: € 4.9 million).

In the third quarter 2014 consolidated turnover increased by 18 % to € 26.4 million (previous year: € 22.4 million) and EBITDA increased by 12 % to € 1.8 million (previous year: € 1.6 million). Depreciations of € 1.0 million in the third quarter 2014 (previous year: € 0.9 million) were again at the planned level. Impairments of tangible fixed assets (€ 0.2 million) had become necessary in the second quarter 2014. Consolidated profit, at € 0.5 million (previous year: € 0.5 million) remained at the previous year’s level. This corresponds to earnings per share of € 0.10 for the third quarter 2014. In the first nine months of 2014 the earnings per share reached the level of € 0.24.

The balance sheet total at the end of the third quarter 2014 increased, essentially due to an increase in current assets, to € 45.5 million (previous year: € 43.8 million). Equity increased to € 20.8 million (previous year: € 20.4 million) in spite of the share buy-back program conducted this year and the subsequent reduction of share capital. Nevertheless, due to the increase in the balance sheet total, the equity ratio, at 45.6 %, was below the previous year’s figure (46.6 %). The financial debt was reduced in the first nine months by € 0.7 million to € 6.8 million. The net debt was reduced to € 1.7 million (previous year: € 2.3 million).

The Management of ecotel communication ag reaffirms the EBITDA forecast published in the 2013 Annual Report and expects EBITDA of € 6.5–7.5 million for the current business year 2014. The forecast revenue (€ 85 – 95 million) – with predicted annual revenue of about € 100 million – is expected to be above the forecast corridor.

Düsseldorf, in November 2014



Peter Zils
(Chairman)



Johannes Borgmann
(Vice Chairman)



Achim Theis

Investor relations

Overview of the ecotel share

The price of the ecotel share started the third quarter at € 8.43. During the course of the quarter the price rose as high as € 10.33. This is the highest level of the ecotel share in more than five years. While the price of the share started the year 2014 at € 6.37, it increased during the course of the year, stabilising at more than € 9 in the third quarter 2014.

The average trading volume of the ecotel share was 5,979 shares per day in the third quarter, compared to 2,214 shares per day in the comparison quarter 2013 and 5,001 shares in the previous quarter.

As of 30 September 2014 the ecotel share closed at a price per share of € 9,94 and therefore a market capitalization of € 34.9 million.

Shareholder structure

As of 30 September the share capital of ecotel communication ag totalled 3,510,000 shares. During the course of the third quarter 2014 there were no significant changes in the shareholder structure.

On the basis of the approved share buy-back program, ecotel communication ag purchased a total of 90,000 shares at an average price of € 8.7 during the period from 15 April 2014 to 28 May 2014.

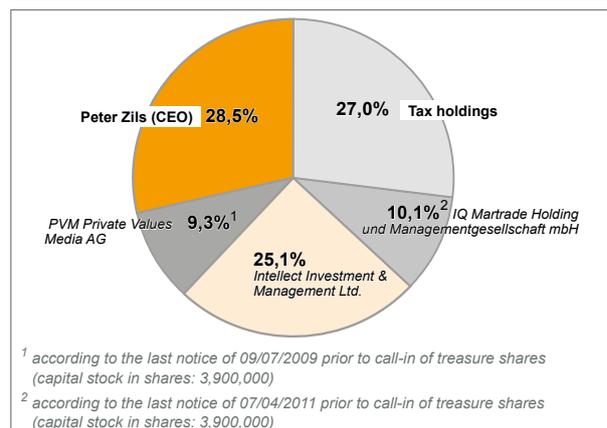
After successful completion of the share buy-back program ecotel owned a total of 390,000 shares with a nominal value of € 1.00 each, which corresponded to a share of 10 % of the capital stock. On 28 June 2014 these shares were called in and the capital stock was therefore reduced from € 3,900,000 to € 3,510,000 or 3,510,000 shares.

Overview of the ecotel share

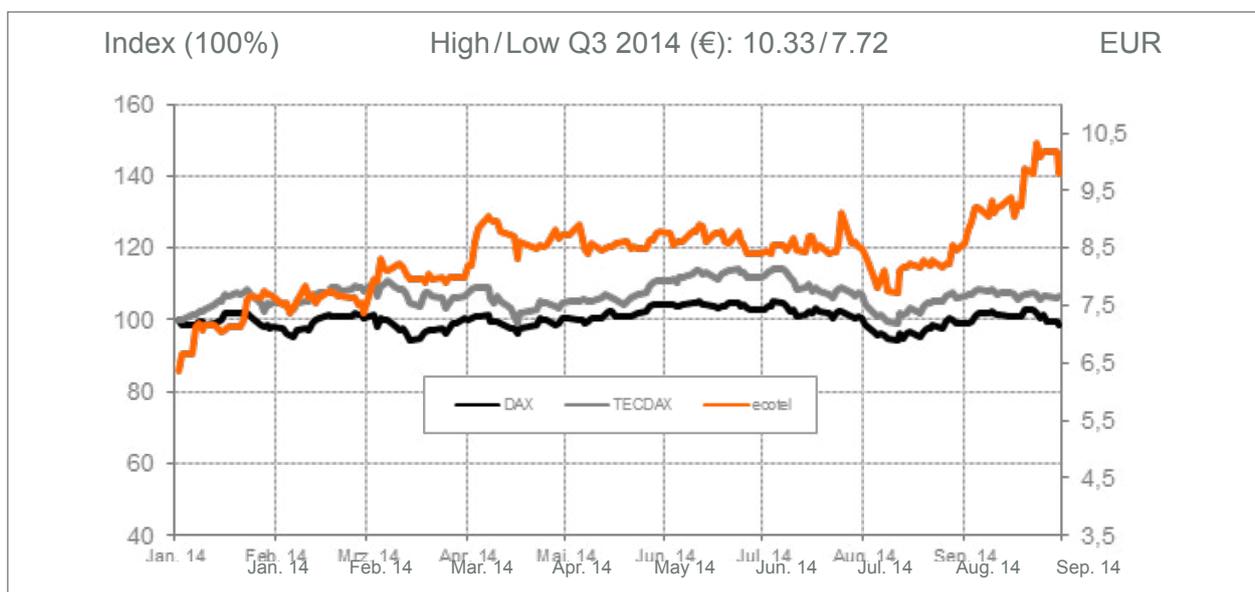
WKN	585434	Date of first listing	29/03/2006
ISIN	DE0005854343	Number of shares as of 30/09/2014	3,510,000
Symbol	E4C	Average daily trading volume in the third quarter 2014 (shares)	5,979
Market segment starting 01/07/2007	Prime Standard	Highest and lowest quotation in the third quarter 2014 (€)	10.33 / 7.72
Index affiliation	CDAX, Prime All Share Technology All Share	Market capitalization as of 30/09/2014 (€ million) ¹	34.9
Class	Non par value shares	Designated Sponsor	Close Brothers Seydler

¹ Based on the final quotation on 30 September 2014 of € 9.94 per share.

Shareholdings (30/09/2014) in percent



Trend of quotations of the ecotel share in percent and €



Earnings and performance

The ecotel Group was able to increase **consolidated turnover** to € 76.6 million in the first nine months of the year 2014. Compared to the same period of the previous year (€ 66.2 million) this represents growth of 16 %, due essentially to turnover gains in “Wholesale Solutions” and “New Business”. Revenue in the Business Solutions segment of € 31.3 million remained at the level of the comparison period (previous year: € 31.4 million).

The **Business Solutions** segment in the third quarter 2014 contributed 39 % to the total revenue and 76 % to the gross profit of the ecotel Group. Revenue in the Business Solutions segment totalled € 10.3 in the third quarter 2014, compared to € 10.2 million and € 10.7 million in the two previous quarters of the year 2014. Compared to the first nine months of the year 2013, the revenue in the Business Solutions segment totalling € 31.3 million was slightly below the previous year's level, by € 0.1 million. In this respect it should be pointed out, however, that since mid-2014 ecotel has discontinued marketing of the company's own mobile services. Compared to the first nine months of the year 2013, there was a decrease of € 0.5 million in sales revenue for this business segment. Without this effect, revenue in Business Solutions would have increased slightly by € 0.4 million.

In the third quarter 2014 **Wholesale Solutions** attained revenue of € 11.9 million (previous year: € 8.1 million), therefore contributing 45 % to the consolidated turnover. Gross profit totalled € 0.1 million in the third quarter 2014 compared to € 0.2 and € 0.1 million in the previous quarters of the year 2014 and € 0.1 million in the third 2013.

The **New Business** segment attained revenue of € 12.1 million in the first nine months of the year 2014. That corresponds to an increase of 14% over the comparison period in 2013. In the third quarter 2014 the New Business segment attained revenue of € 4.2 million (previous year: € 3.8 million) and gross profit of € 1.4 million (previous year: € 1.3 million). This corresponds to a gross profit margin of 33% (previous year: 35%).

Personnel expenses increased in comparison with the first nine months of the year 2013 by € 1.2 million to € 8.9 million. In addition to an increase in the number of employees, the rise in personnel costs was due primarily to one-time effects in the second quarter 2014. In the third quarter, personnel expenses totalled € 2.6 million, which was slightly below the amount for the first quarter 2014. **Other operating expenses and earnings** amounted to € 0.5 million (previous year: € 6.9 million).

EBITDA in the third quarter totalled € 1.8 million (previous year: € 1.6 million) and € 5.4 million in the first nine months of the year 2014 (previous year: € 4.9 million).

The **scheduled depreciations** in the third quarter totalled € 1.0 million (previous year: € 0.9 million). Of this amount, € 0.3 million were for depreciations of assets such as customer bases and development costs.

EBIT in the third quarter 2014 totalled € 0.8 million (previous year: € 0.7 million). In the first nine months of the year 2014 EBIT amounted to € 2.1 million and was therefore € 0.3 million below the EBIT for the first nine months of the year 2013.

The **financial result** of the third quarter 2014 is virtually unchanged in comparison with the third quarter 2013. In a comparison of the first nine months of 2014 to the previous year, expenses increased by € 0.1 million. In the previous year, this figure included earnings of € 0.1 million from forward-exchange transactions.

Tax expenses in the first nine months of 2014, at € 0.7 million, are at a similar level as in the comparison period in 2013.

For the first nine months of the year 2014, this results in **consolidated profit** before minority shares of € 1.3 million (previous year: € 1.5 million). After taking into account the share in earnings of non-controlling shareholders of the ecotel Group, the resulting **earnings per share** is € 0.24.

Financial position

In the first nine months of 2014 the **cash flow from operating activities** totalled € 3.6 million (previous year: € 4.6 million). In the third quarter 2014 the cash flow from operating activities totalled € 2.2 million (previous year: € 0.9 million).

The **cash flow from investment activities** in the third quarter 2014 totalled € –1.0 million (previous year: € –1.2 million). The payments are due essentially to investments in the computing centre, software and licenses, as well as in-house software developments.

Cash flow from financing activity, at € –0.8 million, was € 0.1 million above the figure for the third quarter 2013. In the third quarter 2014, dividends of € 0.5 million were distributed to non-controlling shareholders. In addition, financial debts totalling € 0.3 million were paid back.

Altogether, the **cash and cash equivalents** in the third quarter 2014 increased by € 0.4 million to € 5.1 million.

Net worth

As of 30 September 2014 the **balance sheet total** was € 45.5 million, which is a decrease of € 0.2 million compared to 30 June 2014. In comparison with 31 December 2013 the balance sheet total decreased by € 0.5 million.

On the **assets side**, the non-current assets decreased in comparison with 31 December 2014 by € 0.7 million to € 23.4 million, essentially due to scheduled depreciations on intangible assets, which exceeded the investments in intangible assets, as well as the change of the valuation base of synergyPlus GmbH, which is assessed at equity.

Current assets increased compared to 31 December 2013 due to a temporary increase in the trade receivables by € 0.2 million to € 22.1 million.

On the **liabilities side** the equity remained unchanged at € 20.8 million compared to 31 December 2013. Despite the share buy-back program the equity ratio increased in the second quarter slightly by € 0.8 million to 45.7 % of the balance sheet total.

The non current provisions and liabilities decreased essentially due to repayments by € 0.8 million compared to the end of the year 2013 and by € 0.2 million compared to 30 June 2014.

The current provisions and liabilities increased slightly by € 0.3 million compared to the end of the year 2013 to € 18.2 million. In comparison with 30 June 2014 there was no change. The net financial debt (financial debt minus liquid funds) decreased in the third quarter 2014 by € 0.6 million to € 1.7 million. In comparison with the end of the year 2013 that represents an increase of € 0.4 million.

Risk report

The business activities of the ecotel Group are subject to the opportunities and risks of the telecommunications market and the company-specific risks. The group uses a corresponding risk management system and an internal control system to identify and control these risks.

In this connection we point out the information in the risk report of the 2013 Group management report, which with the exception of a legal dispute that was resolved in the second quarter 2014 remains valid with respect to the current risk and opportunity situation.

Outlook

The Management of ecotel communication ag reaffirms the EBITDA forecast published in the 2013 Annual Report and expects EBITDA of € 6.5–7.5 million for the current business year 2014. The forecast revenue (€ 85–95 million) – with predicted annual revenue of about € 100 million – is expected to be above the forecast corridor.

In 2014 the company's business focus will remain on the high-margin Business Solutions segment. The company plans a continued increase in the business volume and a stable high EBITDA margin.

In this connection we refer to the information in the forecast report of the 2013 Group management report, which remains valid with respect to the company's outlook.

Supplementary report

After the balance sheet date, with the following exceptions there were no events of major significance for the ecotel Group that affect the financial, asset and earnings situation of the group. At the beginning of the fourth quarter 2014 ecotel was able to prematurely renew a major purchase contract through 31 December 2015. In addition to monthly performance-based remunerations, this contract provides for a one-time payment of € 0.5 million at the start of the contract renewal. In an active legal dispute the sum claimed, including interest, was set at € 2.3 million. Up until now ecotel has not made allowance for this potential one-time revenue in the consolidated financial statements.

Consolidated balance sheet

as of 30 September 2014 (unaudited)

Assets	Amounts in €	31/12/2013	30/06/2014	30/09/2014
A. Non-current assets				
I. Goodwill and other intangible assets		13,778,707.54	13,486,085.56	13,297,360.05
II. Fixed assets		9,448,499.36	9,133,253.80	9,316,981.92
III. Financial assets accounted for based on the equity method		889,412.00	685,123.43	681,058.35
IV. Other financial assets		3,800.00	3,800.00	3,800.00
V. Deferred income tax claims		0.00	107,528.01	94,087.01
Total non-current assets		24,120,418.90	23,415,790.80	23,393,287.33
B. Current assets				
I. Inventories		110,438.10	80,435.10	61,900.24
II. Trade receivables		14,181,967.96	13,831,108.56	15,073,686.72
III. Other receivables and current assets		1,133,828.31	3,035,359.99	607,366.49
IV. Other non-financial assets		339,199.98	650,721.67	636,443.13
V. Actual income tax claims		8,397.67	0.00	636,256.43
VI. Funds		6,102,618.82	4,720,469.49	5,095,812.63
Total current assets		21,876,450.84	22,318,094.81	22,111,465.64
Total assets		45,996,869.74	45,733,885.61	45,504,752.97

Consolidated balance sheet

as of 30 September 2014 (unaudited)

Liabilities	Amounts in €	31/12/2013	30/06/2014	30/09/2014
A. Equity capital				
I. Subscribed capital		3,600,000.00	3,510,000.00	3,510,000.00
II. Capital reserves		1,443,254.38	1,443,254.38	1,443,254.38
III. Other reserves		13,701,897.65	13,504,718.64	13,843,100.45
Total shareholders' equity		18,745,152.03	18,457,973.02	18,796,354.83
IV. Shares of non-controlling shareholders		2,006,444.80	2,321,187.82	1,984,753.18
Total equity capital		20,751,596.83	20,779,160.84	20,781,108.01
B. Non-current provisions and liabilities				
I. Deferred income tax		889,883.42	837,709.69	887,100.84
II. Non-current loans		6,488,750.00	5,936,250.00	5,660,000.00
Total non-current provisions and liabilities		7,378,633.42	6,773,959.69	6,547,100.84
C. Current provisions and liabilities				
I. Actual income tax		566,269.92	704,530.92	595,845.46
II. Financial debts		942,500.00	1,105,000.00	1,105,000.00
III. Accounts payable		12,872,615.08	12,429,921.75	13,205,527.66
IV. Liabilities to associated companies		34,460.90	518,686.26	0.00
V. Other financial liabilities		1,733,764.43	1,719,867.89	1,583,360.00
VI. Other non-financial liabilities		1,717,029.16	1,702,758.27	1,686,811.00
Total current provisions and liabilities		17,866,639.49	18,180,765.09	18,176,544.12
Total liabilities		45,996,869.74	45,733,885.62	45,504,752.97

Consolidated statement of comprehensive income

for the third quarter 2014 and for the first nine months of 2014 (unaudited)

Amounts in €	1 st – 3 rd quarter 2013	1 st – 3 rd quarter 2014	3 rd quarter 2013	3 rd quarter 2014
1. Sales revenue	66,234,478.52	76,572,849.68	22,436,843.38	26,397,378.78
2. Other revenues or gains	486,057.37	2,719,508.20	154,050.45	324,644.93
3. Other company-manufactured items capitalized	16,697.79	0.00	0.00	0.00
4. Total operating performance	66,737,233.68	79,292,357.88	22,590,893.83	26,722,023.71
5. Cost of materials Expenses for services purchased	-46,764,847.66	-57,270,844.54	-15,985,825.54	-19,878,963.91
6. Personnel costs				
6.1 Wages and salaries	-6,659,633.87	-7,732,364.72	-2,242,518.82	-2,220,818.50
6.2 Social contributions and expenses for pensions and benefits	-1,054,906.27	-1,179,162.35	-360,334.23	-398,443.97
7. Scheduled depreciations	-2,472,379.26	-2,979,425.45	-871,995.98	-990,544.08
8. Unscheduled depreciations				
8.1 of non-current assets	0.00	-243,520.29	0.00	0.00
8.2 of current assets	0.00	-795.06	0.00	-795.06
9. Other expenses or losses	-7,406,448.45	-7,750,804.86	-2,447,995.92	-2,431,869.68
10. Operating result (EBIT)	2,379,018.17	2,135,440.61	682,223.34	800,588.51
11. Financial result	-90,299.87	-209,829.83	-88,959.68	-79,520.95
12. Earnings from companies valued based on the equity method	0.00	105,885.56	0.00	-4,065.08
13. Earnings from normal business activities before income tax	2,288,718.30	2,031,496.34	593,263.66	717,002.48
14. Taxes from income and revenue	-750,215.73	-728,526.38	-139,606.78	-225,055.31
15. Consolidated profit (= income and earnings) from continuing business segments	1,538,502.57	1,302,969.96	453,656.88	491,947.17
16. Profit share of non-controlling shareholders	-348,765.61	-468,308.38	-134,738.01	-153,565.36
17. Consolidated profit to which shareholders of ecotel communication ag are entitled	1,189,736.96	834,661.58	318,918.87	338,381.81
Undiluted/diluted earnings per share	0.33	0.24	0.09	0.10

Due to lack of data, the comprehensive income is not reported.

Consolidated cash flow statement

for the third quarter 2014 and for the first nine months of 2014 (unaudited)

Amounts in €	1 st – 3 rd quarter 2013	1 st – 3 rd quarter 2014	3 rd quarter 2013	3 rd quarter 2014
Annual consolidated profit before income tax and before profit share of non-controlling shareholders	2,288,718.30	2,031,496.34	593,263.66	717,002.48
Net interest income	132,557.85	137,379.82	76,224.96	56,770.98
Depreciations (+)/appreciations (–) on fixed assets	2,472,379.26	3,222,945.74	871,995.98	990,544.08
Depreciations (+)/appreciations (–) on current assets	0.00	795.06	0.00	795.06
Earnings from companies accounted for based on the equity method	0.00	–105,885.56	0.00	4,065.08
Cash flow	4,893,655.41	5,286,731.40	1,541,484.60	1,769,177.68
Profit (–)/loss (+) from retirements of intangible assets	–2,060.66	–2,529.35	–180.00	6,070.65
Increase (–)/decrease (+) in the accounts receivable	213,543.59	–945,549.08	47,506.55	–1,242,578.16
Increase (–)/decrease (+) in receivables and other assets	–388,148.40	330,791.79	–357,916.87	2,460,011.84
Increase (+)/decrease (–) in the accounts payable	–755,938.20	332,912.59	134,604.19	775,605.91
Increase (+)/decrease (–) in liabilities (without financial debts)	1,310,134.48	–7,061.37	–4,648.52	–676,264.20
Paid income tax	–706,065.01	–1,423,679.19	–486,273.60	–907,165.05
Inflow of funds from ongoing business activities	4,565,121.21	3,571,616.79	874,576.35	2,184,858.67
Inpayments from retirements of intangible assets	2,193.08	8,600.00	180.00	0.00
Payments for investments in tangible and intangible assets	–6,768,386.82	–2,960,461.46	–1,249,506.34	–1,681,617.34
Repayment of loans to companies accounted for using the equity method	0.00	695,122.79	0.00	695,122.79
Interest paid in	8,313.64	1,606.77	5,086.73	806.22
Outflow of funds from investment activities	–6,757,880.10	–2,255,131.90	–1,244,239.61	–985,688.33
Buyback of shares	–469,666.10	–783,458.80	0.00	0.00
Payments to non-controlling shareholders	–112,831.00	–698,022.11	0.00	–490,000.00
Inpayments from taking out financing loans	2,600,000.00	0.00	0.00	0.00
Payments for repayment of financing loans	–1,844,897.93	–666,250.00	–588,155.29	–276,250.00
Interest paid out	–224,208.91	–175,560.17	–88,750.40	–57,577.20
Outflow of funds from financial activities	–51,603.94	–2,323,291.08	–676,905.69	–823,827.20
Change in funds balance	–2,244,362.83	–1,006,806.19	–1,046,568.95	375,343.14
Funds balance at start of period	7,533,432.71	6,102,618.82	6,335,638.83	4,720,469.49
Funds balance at end of period	5,289,069.88	5,095,812.63	5,289,069.88	5,095,812.63

The funds balance is calculated from the funds reported in the consolidated balance sheet minus the current trade debts.

Development of the consolidated equity capital

as of 30 September 2014 (unaudited)

Amounts in € thousand	Subscribed capital	Capital reserves	Retained earnings		Equity capital to be allocated to shareholders of ecotel communication ag	Shares of non-controlling shareholders	Total
			Other retained earnings	Consolidated profit			
As per 01 January 2013	3,685	1,443	15,056	-2,595	17,589	1,734	19,323
Reposting of previous year's earnings	0	0	-2,595	2,595	0	0	0
Consolidated profit for 1 st quarter 2013	0	0	0	465	465	86	551
As per 31 March 2013	3,685	1,443	12,461	465	18,054	1,820	19,874
Buyback of treasury shares	-85	0	-385	0	-470	0	-470
Consolidated profit for 2 nd quarter 2013	0	0	0	406	406	128	534
As per 30 June 2013	3,600	1,443	12,076	871	17,990	1,948	19,938
Consolidated profit for 3 rd quarter 2013	0	0	0	319	319	134	453
As per 30 September 2013	3,600	1,443	12,076	1,190	18,309	2,082	20,391
As per 01 January 2014	3,600	1,443	12,174	1,528	18,745	2,007	20,752
Reposting of previous year's earnings	0	0	1,528	-1,528	0	0	0
Consolidated profit for 1 st quarter 2014	0	0	0	253	253	162	415
As per 31 March 2014	3,600	1,443	13,702	253	18,998	2,169	21,167
Buyback of treasury shares	-90	0	-693	0	-783	0	-783
Consolidated profit for 2 nd quarter 2014	0	0	0	243	243	152	395
As per 30 June 2014	3,510	1,443	13,009	496	18,458	2,321	20,779
Distribution to non-controlling shareholders	0	0	0	0	0	-490	-490
Consolidated profit for 3 rd quarter 2014	0	0	0	338	338	154	492
As per 30 September 2014	3,510	1,443	13,009	834	18,796	1,985	20,781

Consolidated notes as of 30 September 2014

General information

The consolidated financial statements of ecotel communication ag as the reporting parent company were prepared as of 30 September 2014 in compliance with the regulations of IAS 34 and applying Section 315a of the German Commercial Code in accordance with the rules in force on the closing date of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) taking into account the interpretations of the International Financial Reporting Standards Interpretation Committee (IFRS IC) – as accepted by the EU. IFRS/IAS not yet in force or their interpretations have not been prematurely applied. The comparative figures of the previous period were determined based on the same principles.

The same accounting policies were used in the interim statement as in the consolidated financial statements for business year 2013.

At the time the consolidated financial statement was drawn up, as of 30 September 2014 the following new and changed standards and interpretations were adopted and put into effect by the European Union as European legislature. These standards are to be applied for the first time in this consolidated interim financial statement:

Standard / Interpretation	First-time mandatory application in accordance with IASB	First-time mandatory application in the EU
Revision of IAS 27 »Separate Financial Statements«	1 January 2013	1 January 2014
Revision of IAS 28 »Investments in Associates and Joint Ventures«	1 January 2013	1 January 2014
Changes to IAS 32 »Financial Instruments: Presentation«: Offset of financial assets and debts	1 January 2014	1 January 2014
IAS 36 »Impairment of Assets«: Information on the recoverable amount for non-financial assets	1 January 2014	1 January 2014
IAS 39 »Financial Instruments – Recognition and Measurement«: Novations of derivatives and continuation of hedge accounting	1 January 2014	1 January 2014
IFRS 10 »Consolidated Financial Statements«	1 January 2013	1 January 2014
IFRS 11 »Joint Arrangements«	1 January 2013	1 January 2014
IFRS 12 »Disclosure of Interests in Other Entities«	1 January 2013	1 January 2014
Changes to IFRS 10 »Consolidated Financial Statements«, IFRS 11 »Joint Arrangements« and IFRS 12 »Disclosure of Interests in Other Entities«: Transitional regulations	1 January 2013	1 January 2014
Changes to IFRS 10 »Consolidated Financial Statements«, IFRS 12 »Disclosure of Interests in Other Entities« and IAS 27 »Separate Financial Statements«: Investment companies	1 January 2014	1 January 2014

Insofar as the above-mentioned standards/interpretations are relevant for the consolidated financial statements of ecotel communication ag, a brief description of the content of these revisions or amendments, as well as a description of their effects on the consolidated financial statement of ecotel communication ag is provided below:

IFRS 10 was published in May 2011 and must be applied in the financial year starting on after 1 January 2014. The new standard replaces the stipulations of the previous IAS 27 Consolidated and Separate Financial Statements for group accounting and the interpretation SIC-12 Consolidation – Specific Purpose Entities.

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IFRS 10 establishes a standardised control concept, which is applied to all companies including the specific purpose entities. In June 2012 the revised transitional directives for IFRS 10-12 were published, which are supposed to facilitate the initial application of the new standards. As opposed to the previous regulations, the changes introduced with IFRS 10 require the exercise of discretion on the part of Management in assessing the question over which companies in the Group control is exercised and whether they are therefore to be included in the consolidated financial statement in the course of full consolidation. The application of these standards had no effects on the consolidated interim financial statement. The companies included in the consolidated group remain unchanged.

IFRS 11 was published in May 2011 and must be applied in the financial year starting on after 1 January 2014. The standard supersedes IAS 31 Interests in Joint Ventures and the interpretation SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 rescinds, for example, the previous option for application of proportional consolidation for joint ventures. In the future, these companies will be included in the consolidated financial statement only at equity. There were no changes as a result of the first application of the new standard, since the Group in the past did not include any company in the consolidated interim financial report within the framework of proportional consolidation.

IFRS 12 was published in May 2011 and must be applied in the financial year starting on after 1 January 2014. The standard regulates the disclosure requirements for the area of consolidated accounting and consolidates the disclosures for subsidiaries, previously regulated in IAS 27, the disclosures for jointly controlled and associated companies, previously in IAS 31 and IAS 28, as well as for structured companies. The application of the new standard resulted in no significant additional information in the Notes.

The revised standard **IAS 28** was published in May 2011 and must be applied in the financial year starting on after 1 January 2014. With the approval of IFRS 11 and IFRS 12 the applicability of IAS 28 – in addition to the associated companies – is also extended to the application of the equity method to joint ventures. With respect to the effects, we refer to our comments on IFRS 11 – Joint Arrangements.

The change to **IAS 32** was published in December 2011 and must be applied in the financial year starting on after 1 January 2014. The change is also expected to eliminate existing inconsistencies concerning a supplement to the application guidelines. The existing fundamental regulations for balancing financial instruments, however, will be retained. The change also defines supplementary information. For lack of circumstances the change had no effects on the accounting methods applied by the Group.

The change to **IAS 36** was published in May 2013 and must be applied in the financial year starting on after 1 January 2014. With IFRS 13 a subsequent change to IAS 36 introduced the obligation to disclose the recoverable amount of each cash generating unit or group of cash generating units, to which a substantial goodwill or substantial intangible asset with an unlimited useful life is allocated. With this, however, the new requirement was formulated more broadly than intended by IASB. With the amendment published in May 2013 the disclosure requirement is now limited corresponding to the original intention of IASB to cases in which a decrease in value or an increase in value was registered in the current reporting period. In addition, disclosure requirements are standardised for the case that a decrease in value or an increase in value was registered with respect to a single asset or a cash generating unit and the recoverable amount was determined based on the fair value less costs of sale.

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The changes must be applied retroactively for financial years that start on or after 1 January 2014. Since the Group determines the recoverable amount on the basis of the value in use, no extended disclosures are necessary.

In June 2013 IASB published changes to **IAS 39**. As a result of the changes, if a contracting party to a hedging instrument switches to a central counter-party due to legal or regulatory requirements, under certain circumstances this will not terminate the hedge. The changes must be applied retroactively for financial years that start on or after 1 January 2014. This revision had no effects on the presentation of the Group's assets, finance and earnings situation.

The changes to **IFRS 10** – Consolidated Financial Statements, **IFRS 12** – Disclosures of Interests in Other Entities: Transitional Guidelines and **IAS 27** – Separate Financial Statements: Investment Entities and the revision of **IAS 27** – Separate Financial Statements which are all to be first applied in the financial year starting on or after 1 January 2014, have no effects on the presentation of the assets, finance and earnings situation of the Group.

In May 2013 the IASB published **IFRIC 21** – Levies, which was adopted by the EU in June 2014. This must be applied to financial statements for business years starting on or after 17 June 2014, for ecotel therefore effective 1 January 2015. For lack of circumstances these new IAS 21 regulations have no relevance for ecotel communication ag.

The internal organizational and management structure and the internal reporting to the Management Board and the Supervisory Board form the basis for defining the criteria for classification of the segments of ecotel communication ag.

Segments

The classification of segments is based on the internal reporting by business segments, which are defined as follows:

- In the **Business Solutions** segment (operative core segment) ecotel offers SMEs and specific key accounts »bundled« voice, data, Internet and mobile communications from a single source.
- In the **Wholesale Solutions** segment ecotel markets preliminary service products to other telecommunications companies. In addition to the international wholesale voice activities of ecotel, mvneco GmbH is also included in this segment.
- The **New Business** sector comprises the subsidiaries easybell GmbH, with its private customer business and nacamar GmbH, with its New Media business.

Consolidated notes as of 30 September 2014

The following segment description applies for the period of the **first three quarters**:

Amounts in € thousand	Business Solutions		Wholesale		New Business / Consolidation		Group	
	2013 1 st – 3 rd quarter	2014 1 st – 3 rd quarter	2013 1 st – 3 rd quarter	2014 1 st – 3 rd quarter	2013 1 st – 3 rd quarter	2014 1 st – 3 rd quarter	2013 1 st – 3 rd quarter	2014 1 st – 3 rd quarter
Sales revenue	31,377.1	31,283.8	24,292.9	33,194.7	10,564.5	12,094.3	66,234.5	76,572.8
Gross earnings	15,386.5	14,832.9	422.2	446.6	3,660.9	4,022.5	19,469.6	19,302.0
Operating result (EBIT)	1,721.6	1,304.3	18.2	45.8	639.2	785.3	2,379.0	2,135.4

The following segment description applies for the period of the **third quarter**:

Amounts in € thousand	Business Solutions		Wholesale		New Business		Group	
	2013 3 rd quarter	2014 3 rd quarter						
Sales revenue	10,511.3	10,345.8	8,148.3	11,867.3	3,777.3	4,184.2	22,436.9	26,397.3
Gross earnings	5,098.8	4,972.6	119.3	148.4	1,232.9	1,397.4	6,451.0	6,518.4
Operating result (EBIT)	484.3	460.6	-8.7	13.2	206.6	326.7	682.2	800.5

Consolidated companies and acquisitions

The consolidated companies of the ecotel consolidated financial statements as of 30 September 2014 have remained unchanged since 31 December 2013.

As of 30 September 2014 a negative equity value of € –482 thousand remains due to the proportional cumulative negative earnings of mvneco GmbH; this negative amount is disregarded. This entire amount is reported in previous years as affecting net income in the consolidated financial statements as an adjustment of the loan of ecotel communication ag to mvneco GmbH.

Due to the prorated positive result of synergy-Plus GmbH, also measured at equity, as of 30 September 2014 there exists an applicable positive equity value of € 152 thousand.

Taxes from income and revenue

The income taxes reported in the income statement are composed as follows:

	1 st – 3 rd quarter 2013	1 st – 3 rd quarter 2014	1 st – 3 rd quarter 2013	1 st – 3 rd quarter 2014
Taxes from income and revenue – effective	–555,836.95	–825,395.96	–161,652.24	–162,223.16
Taxes from income and revenue – deferred	–194,378.78	96,869.58	22,045.46	–62,832.15
Taxes from income and revenue (in €)	–750,215.73	–728,526.38	–139,606.78	–225,055.31

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Buyback of shares and earnings per share

The Management Board of ecotel communication ag decided on 31 March 2014 to repurchase up to 90,000 treasury shares of ecotel communication ag between 31 March 2014 and 30 June 2014. As of 28 May 2014 ecotel communication ag bought back 90,000 of the company's own shares at a purchase price of € 783 thousand. By a resolution of ecotel communication ag of 28 May 2014 and an entry in the trade register of 27 June 2014 the capital stock was reduced by € 390 thousand to € 3,510 thousand through the call-in of 390,000 treasury shares.

The undiluted earnings per share are calculated in accordance with IAS 33 as the quotient of the consolidated profit for the year to which the shareholders of ecotel communication ag are entitled and the weighted average number of bearer non par value shares in circulation during the reporting period.

A dilution of the earnings per share occurs if the average number of shares is increased due to the additional issue of potential shares from options and convertible financial instruments. As of 30 September 2014, there were no share options, so that the undiluted and diluted earnings per share are identical.

	1 st –3 rd quarter 2013	1 st –3 rd quarter 2013	3 rd quarter 2013	3 rd quarter 2014
Accrued consolidated profit for the year (in €)	1,189,736.96	834,661.58	318,918.87	338,381.81
Weighted average number of shares	3,645,821	3,552,161	3,600,000	3,510,000
Undiluted / diluted earnings per share (in €)	0.33	0.24	0.09	0.10

Other information

In the third quarter 2014 – as in the period of the first three quarters 2014 overall – no significant transactions were conducted with related parties.

Düsseldorf, 14 November 2014

The Management Board

Declaration of the legal representatives in accordance with § 37y Securities Trading Act (WpHG)

We assure to the best of our knowledge that in accordance with the accounting principles applied, the consolidated interim financial report reflects a true and fair view of the group's net worth, financial position and earnings and performance and that the consolidated interim financial report depicts the business trend, including the group's profit and financial position in a manner corresponding to the actual circumstances, as well as describing the essential opportunities and risks of the expected development of the group.

Düsseldorf, 14 November 2014

ecotel communication ag

The Management Board

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Disclaimer

Exclusion of liability:

This report (especially the »Outlook« section) contains forward-looking statements, which reflect the current views of the ecotel Management with respect to future events. They are generally characterised by the words »expect«, »assume«, »presume«, »intend«, »estimate«, »strive«, »set as a goal«, »plan«, »become«, »aspire to«, »outlook« and similar expressions and generally contain information that refers to the expectations or goals for sales revenue, EBITDA or other performance-related standards. Forward-looking statements are based on current plans, estimates and expectations. They should therefore be viewed with caution. Such statements involve risks and uncertain factors, most of which are difficult to assess and which generally are beyond the control of ecotel.

Other possible factors that can significantly affect the cost and revenue development are changes in interest rates, regulatory requirements, stronger than expected competition, changes in technologies, legal disputes and supervisory developments. If these or other risks and factors of uncertainty occur, or if the assumptions on which the statements are based turn out to be incorrect, ecotel's actual results can diverge substantially from those expressed or implied in these statements.

ecotel can make no guarantee that the expectations or goals will be achieved. ecotel – notwithstanding existing capital market obligations – refuses to accept any responsibility whatsoever for updating the forward-looking statements by taking into account new information or future events or other matters.

In addition to the key figures presented in accordance with IFRS, ecotel also presents pro forma key figures, such as gross profit, EBITDA, EBITDA margin, free cash flow and gross and net financial obligations, which are not covered by the accounting regulations. These key figures are intended as a supplement, but not as a substitute for the information presented in accordance with IFRS. Pro forma key figures are subject neither to IFRS nor other generally applicable accounting regulations. Other companies may base these fundamentals on other definitions.